This document is to be read in conjunction with the NWR Annual Report and Accounts 2008.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of financial condition and results of operations is based on the audited consolidated financial statements (presented in EUR) of the Company for the year ended 31 December 2007 prepared in accordance with IFRS and on the audited carve-out financial statements (presented in CZK) of mining operation of RPGI, the Company's shareholder, for the years ended 31 December 2006 and 2005, which are prepared in accordance with IFRS, all of which are presented elsewhere on the Company website, section referring to the Annual Report and Accounts 2008. The Carve-out Accounts reflect, for the periods stated above, the results of operations and cash flows of the Company's Core Business (including the Real Estate Division, but excluding the transport and gas businesses, defined as unrestricted under the Indenture). Because OKD and other entities of the Company, including OKK, were not contributed to the Company until 7 September 2006, the Company's historical financial statements for this period are not a meaningful basis for the purposes of comparing the Company's results of operations of such period against the same period in 2005 and 2007. The income statement included in the 2007 Consolidated Financial Statements also includes the results of the Company's former transport and gas businesses, which are presented as discontinued operations. The Company believes, subject to the limitations disclosed herein, that the 2006 and 2005 Carve-out Accounts provide a reasonable basis for comparison of the historical results of businesses currently operated by the Company with the results from continuing operations presented in the 2007 Consolidated Financial Statements. This discussion should be read in conjunction with the information set forth in the Carve-out Accounts and the audited consolidated financial statements of the Company for the year ended 31 December 2007 presented elsewhere on the Company website, section referring to the Annual Report and Accounts 2008.

Some of the information contained in this discussion, including information with respect to the Company's plans, its business strategies and its expected sources of financing, contains forward looking statements that involve risk and uncertainties. The Company's future results could differ materially from those discussed below. You should read the section of the Annual Report entitled "Risk factors" for a discussion of certain factors that may affect the Company's business, financial condition and results of operations.

General Overview

Background

The Company, through OKD, is the Czech Republic's largest hard coal mining company and is a leading producer of hard coal in the Czech Republic and in Central Europe, serving customers in the Czech Republic, Slovakia, Austria, Poland, Hungary and Germany. It is one of the largest industrial groups in the Czech Republic in terms of revenues and employees. For the year ended 31 December 2007, the Company employed an average of 18,360 employees and utilized an average of 3,576 workers employed by contractors, making it one of the largest private employers in the country. In terms of revenues in 2006, the Company was the third largest natural resources company in the Czech Republic. The Company's principal business is hard coal mining and coke production.

The Company's revenues for the year ended 31 December 2007 accounted for approximately EUR 1.37 billion.

The Company operates five mines and two coking facilities in the Czech Republic and serves several large steel and energy producers in CEE.

The Company's largest business in terms of revenue is the production of coking coal, which accounted for EUR 579,800 thousand of external net sales in 2007 on an EXW basis. Coking coal is sold to steel producers and to independent coke producers. The Company also produces coke, primarily from

its own coking coal, for sale to steel producers and foundries. Net coke sales totalled EUR 224,629 thousand in 2007.

The Company also produces steam coal, which accounted for EUR 253,495 thousand of net sales in 2007 on an EXW basis. While steam coal generally results in lower profit margins, it provides a more stable demand from year to year than coking coal.

The Company also generates revenue from the sale of coke by-products, electricity trading and the sales of coalbed methane to DPB and as part of invoicing its customers, the Company passes on the majority of the cost for coal transportation. These sources of additional revenues represented EUR 309,174 thousand in 2007.

Prior to the distribution of the Company's transport and gas businesses to RPGI in June 2007, the Company also provided transportation and logistics services, and extracted and sold methane gas, a by-product of its coal mining operations.

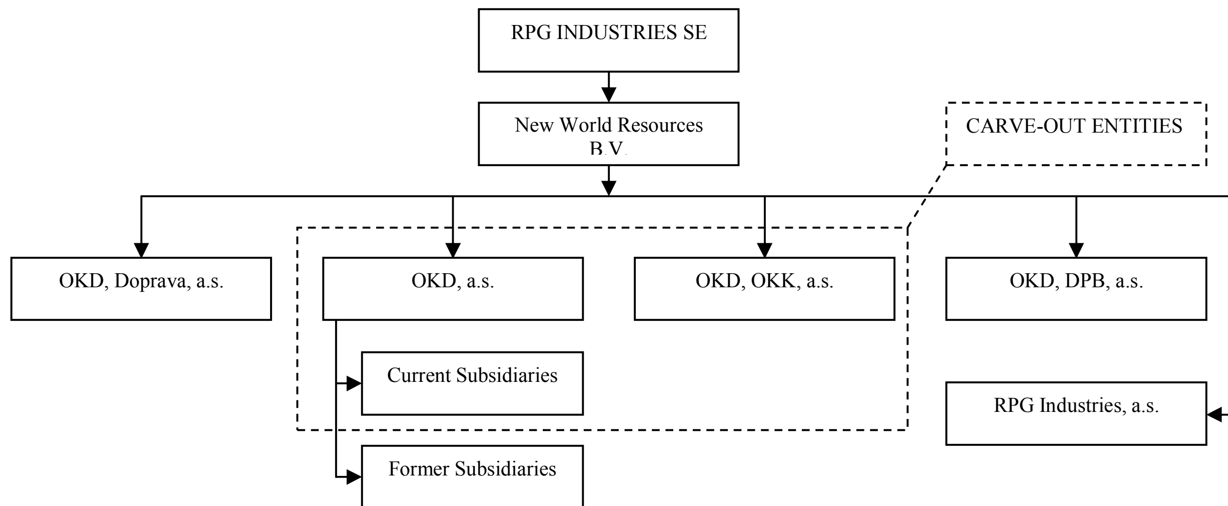
Until 1 June 2006 the Company also traded coal purchased from third parties via the coal trading division of Metalimex a.s. Metalimex is a former subsidiary of OKD that originally specialised in the trading of metal and coal. The coal trading division of Metalimex traded coal purchased from OKD as well as coal purchased from third parties. The coal trading division is included in the Carve-out Accounts as of 1 January 2005. The coal trading division was merged with OKD on 1 June 2006. Since then, the division has not traded coal purchased from third parties. While this transaction affected the Company's revenues and costs, its effect on the Company's net income was insignificant. The metal trading division is not included in the Carve-out Accounts and is not part of the Company.

Basis of Presentation of Financial Information

The Company was formed on 29 December 2005, and its principal subsidiaries, OKD and OKK were contributed to it on 7 September 2006 by its shareholder, RPGI. The business and assets of OKD and OKK represent substantially all of the mining and coking business of RPGI for the years ended 2006 and 2005, and the mining and coking businesses operated by the Company for the year ended 31 December 2007. New World Resources B.V. will be converted into New World Resources N.V. (a public company with limited liability) prior to Admission. The financial information included in this document comprises: (i) the 2007 Consolidated Financial Statements; and (ii) the Carve-out Accounts.

The Carve-out Accounts reflect, for the periods stated above, the results of operations and cash flows of the Company's Core Business (including the Assets of the Real Estate Division, but excluding the transport and gas businesses). Because OKD and other entities of the Company were not contributed to the Company until 7 September 2006, the Company's historical financial statements for this period are not a meaningful basis for the purposes of comparing the Company's results of operations of such period against the same period in 2005 and 2007. The Carve-out Accounts have been derived or "carved out" from RPGI's consolidated financial statements for the periods presented using historical results of operations and assets and liabilities of the Company's Core Business. The Company's management prepared the Carve-out Accounts in compliance with IFRS and believes the methodology underlying the preparation of the Carve-out Accounts gives a true and fair view of the Company's Core Business for the presented periods. The Carve-out Accounts are audited and represent the financial results and operations of the Company for the relevant periods. However, the Carve-out Accounts may not reflect the Company's results of operations, financial position and cash flow that the Company would have had, had the transport and gas businesses and other disposed businesses already been removed from the Company during the relevant periods.

The following is a schematic diagram illustrating Carve-out Entities:



(1) OKD, OKK, a.s. is the official name of OKK. Whilst the Company often refers to it as OKK, the Company has kept OKD adjacent to OKK in the official name and as part of its branding in the Czech Republic.

The Carve-out Accounts reflect the results of operations and cash flows of the Company's Core Business. The income statement included in the 2007 Consolidated Financial Statements presents the financial performance of the transport and gas businesses separately as discontinued operations and therefore makes a distinction between Core Business results and the transport and gas businesses. Therefore to describe the development of the Core Business in this discussion, the Company only refers to the results from continuing operations for 2007.

The Company is split into two divisions: the Mining Division and the Real Estate Division. The Company has issued A Shares and B Shares prior to the date of this document. The A Shares and B Shares are tracking stocks which are designed to reflect the financial performance and economic value of the two divisions. The A Shares being offered hereby track the financial performance and economic value of the Mining Division but do not track the financial performance or economic value of the Real Estate Division, which are represented by the B Shares and are held by RPGI. The ownership of the A Shares and the B Shares represents an ownership interest in the Company as a whole, but does not represent a direct legal interest in the assets and liabilities of the assets of the Mining Division or the Real Estate Division, respectively. The historical financial statements of the Company, as described above, and the Carve-out Accounts reflect the results of operations and the financial position and performance of the assets and businesses currently owned and operated by the Mining Division and the Real Estate Division.

Because the A Shares and B Shares are tracking stocks of the same legal entity, the Company, separate financial statements are not provided. The Company has provided segmental information in the 2007 Consolidated Financial Statements for the Mining Division and the Real Estate Division. With effect from the Commencement Time, the Company has tracked the financial performance of the two divisions and presents corresponding financial information in the segmental information in its consolidated financial statements.

The financial information in this discussion is presented in EUR, which is the presentation currency of the Company. The 2007 Consolidated Financial Statements were prepared and audited in EUR. However the Carve-out Accounts were prepared and audited in CZK. For the purpose of the

presentation in this discussion, the income statement data has been converted, if not directly available in EUR, into EUR using the average exchange rate for the corresponding years. Any balance sheet data presented in this discussion has been converted, if not directly available in EUR, into EUR using the rates valid on the last day of the accounting period published by the CNB. The following table presents the FX rates used:

(CZK/EUR)	2007	2006	2005
Average exchange rate	27.762	28.343	29.784
Balance sheet exchange rate (31 Dec of year)	26.620	27.495	29.005

This discussion does not eliminate the effects resulting from the conversion of amounts in the Carve-out Accounts from CZK into EUR on the comparability of financial information of the Company in different years. This can lead to an over or understatement of change in revenue and expenses from year to year when compared to the change in revenues in CZK. The financial statements and described trends could present differently if the financial information was in CZK.

Effects of Acquisitions, Restructuring and Disposals

Fair Value Accounting and Purchase Price Allocation

The long term assets of the Company are valued based on the allocation of the purchase price paid in October 2004 by current shareholders for the acquisition of Former OKD. The purchase price was allocated in October 2004 based on an independent expert's valuation. This purchase price allocation resulted in a significant increase in the carrying value of these assets in the consolidated balance sheet of the Company.

Restructuring and Disposals

Following the acquisition of the Former OKD, from 2005 to 2008 the current shareholders of the Company and the Company's predecessor effected the Restructuring of the business held by the Company and its predecessor companies to (i) separate the mining business from various unrelated activities in which the Former OKD and its subsidiaries were previously involved; (ii) simplify the holding structure of the Company; (iii) relocate the holding entity for the mining business to the Netherlands so as to better position it for access to international securities markets; (iv) transfer the gas, transport and certain non-core real-estate businesses from the Company to RPGI; (v) transfer Karbonia from OKD to become a direct subsidiary of the Company and create NWR Coking a.s. to be a direct subsidiary of the Company to serve as the holding company of OKK upon its transfer from OKD; and (vi) create the Real Estate Division.

The Restructuring had a significant effect on the comparability of historical financial statements of the Company and its predecessors. As a result, the Company has prepared the Carve-out Accounts to provide comparable historical data. The Restructuring involved the disposition of several non core businesses from June 2004 to 31 December 2007 as described further in the table below. The table lists all dispositions effected from June 2004 to 31 December 2007 other than the disposition of certain real estate assets. The subsidiaries set out in the table below are collectively referred to as the "Disposed Subsidiaries."

	Company	Scope of business	Ownership interest	Month of disposition
2004	Sokolovská uhelná, a.s	Coal mining	36.32%	June
	Dom Polski, a.s.	Hotel owner and operator in Ostrava	5.5%	July

	Bohemiacoal s.r.o.	Coal contractor	34%	August
2005	KARBONIA KLADNO, a.s.	Coal contractor	45%	March
	Havířovská teplárenská společnost, a.s.	Heat utility in Havířov city	15%	July
	Projekce a výstavba dolů, a.s.	Underground and surface construction	35.3%	September
	ČM kapitálová, a.s.	Factoring	100%	October
	OKD, Tatranský Permon, akciová spoločnosť	Hotel owner and operator in Slovakia	100%	October
	Hornický penzijní fond Ostrava, a.s.	Pension fund	97%	December
	AL INVEST Břidličná, a.s.	Aluminum processing, aluminum foil and sheet production	100%	December
2006	Metalimex a.s.	Metals and coal sales	100%	January
	Služby dolů, a.s.	Real estate	100%	February
	KOVONA KARVINÁ, a.s.	Manufacturing	97.1%	March
	SL-KD, s.r.o. ,,v likvidácii"	Prospecting in Slovakia (inactive)	100%	May
	EOSA 2002, S.A.	Construction company in Spain	50%	August
	VOKD, a.s.	Underground and surface construction company	100%	October
	Agrobanka Praha, a.s. v likvidaci	Bank	0.37%	October
	SLOVENERGO, spol. s r.o.	Coal and electricity trading company in Slovakia	90%	December
2007	OKD, Báňské stavby Ostrava, a.s. "v likvidaci"**	Construction company	100%	February
	Československá obchodní banka, a.s.	Bank	0.25%	June
	Doprava*	Transportation company	100%	June
	DPB*	Coalbed methane extraction and distribution	100%	June
	Green Gas International B.V.*	Methane gas management and utilisation	70%	June
	RPGICZ	Special purpose vehicle	100%	November

* Distributed by the Company to its shareholder, RPGI, through a dividend in kind on 28 June 2007.

** On 23 February 2007, a court decision about the termination of the liquidation process became effective and the Company delisted from the commercial register.

The disposal of the Company's 0.25% equity interest in Československá obchodní banka, a.s. resulted in a gain of EUR 17 million (CZK 459 million) in 2007 as reflected in the 2007 Consolidated Financial Statements. Other gains and losses are, as explained below, not included in the Financial Statements included herein.

With effect from 1 January 2006, Former OKD was demerged into several successor entities. As a result of this demerger and several additional restructuring transactions effected during 2006, (i) the mining and coking business of Former OKD was contributed to OKD, (ii) the transport business of Former OKD became owned by Doprava, part of the Company at the time, (iii) the gas business of Former OKD

became owned by DPB, part of the Company at the time, and (iv) the majority of Former OKD's real estate not related to the mining and coking business at that time was contributed to three subsidiaries of RPGI held outside the Company.

In addition, on 1 January 2006, Former OKD disposed of several subsidiaries whose principal assets consisted of non core real estate by way of a demerger. This disposition had a significant impact on the comparability of assets reflected in the Company's consolidated accounts as of 31 December 2005 and 2006. The Carve-out Accounts exclude the demerged real estate and exclude any corresponding effect from the demerged real estate on the income statement.

As part of the Restructuring, the Company transferred its transport and gas businesses operated by Doprava and DPB from the Company to its sole shareholder, RPGI, in June 2007. Doprava and DPB were classified as "Unrestricted Subsidiaries" under the Indenture. The income statement included in the 2007 Consolidated Financial Statements presents the financial performance of the transport and gas businesses separately as discontinued operations. The impact of the Company's Unrestricted Subsidiaries on the financial performance of the Company presented in this review represents the impact of Rekultivace, which is the only remaining Unrestricted Subsidiary of the Company. The Unrestricted Subsidiaries did not affect the financial performance of the Company significantly. Their contribution to the EBITDA of the Company during the year ended 31 December 2007 was approximately 0.7%[1]

As a result of the foregoing, the income statements of the Carve-out Accounts do not reflect the operations of or gains or losses from, the disposal of the Disposed Subsidiaries.

Recapitalisation

Following the completion of the acquisition of Former OKD, the current shareholder and its predecessors commenced a project to optimize its capital structure.

The Recapitalisation was effected by way of an initial drawdown of EUR 720 million from the Senior Secured Facilities by OKD in late 2006 and a distribution by the Company of EUR 801 million to RPGI in January 2007 which was also partially financed by cash on hand.

The second portion of the Recapitalisation consisted of a EUR 276 million distribution that the Company made to RPGI on 18 October 2007. This distribution was funded by a drawdown of EUR 275 million under the Additional Loan Option under the Senior Secured Facilities.

Segment Reporting

Operating Segments

The Company's principal business is coal mining and coking operations. The Carve-out Accounts consist of the coal mining, coke production and coal and coke sales and marketing and several ancillary activities. The Company presents segmental information on the coal mining and coke operations and geographic segments. In addition, effective 31 December 2007, the Company was divided into the Real Estate Division and the Mining Division, and as a result, the Company also presents these Divisions as separate segments in the 2007 Consolidated Financial Statements. For more details please refer to the

[1] Separate unaudited financial statements demonstrating the effect of the Unrestricted Subsidiaries have been provided as Exhibit I to this document.

notes to 2007 Consolidated Financial Statements included on the Company website, section referring to the Annual Report and Accounts 2008.

The table below summarises revenues of the Company's Core Business for the period 2005 to 2007 based on the Carve-out Accounts (converted to EUR) and the 2007 Consolidated Financial Statements:

	Year ended 31 December					
Revenues (EUR thousand)	**2007**	**2007%**	**2006**	**2006%**	**2005**	**2005%**
External coking coal sales (EXW)	579,800	42%	509,278	41%	497,856	38%
External steam coal sales (EXW)	253,495	19%	258,457	21%	256,866	20%
External coke sales (EXW)	224,629	16%	188,413	15%	207,380	16%
Coal trading (Metalimex)(1)	0	0%	32,886	3%	141,906	11%
Coal and coke transport by OKD(2)	111,425	8%	99,354	8%	67,446	5%
Sale of coke by-products	24,939	2%	24,813	2%	19,660	2%
Electricity trading (Czech Karbon)(3)	78,528	6%	28,550	2%	18,570	1%
OKD other sales(4)	56,284	4%	62,777	5%	67,732	5%
Other(5)	37,998	3%	30,420	3%	23,318	2%
Total	**1,367,098**	**100%**	**1,234,948**	**100%**	**1,300,734**	**100%**

(1) Metalimex, a.s. is a former subsidiary of OKD that originally specialized in the trading of metal and coal. The coal trading division of Metalimex traded coal purchased from OKD as well as coal purchased from third parties. The coal trading division is included in the Carve-out Accounts as of 1 January 2005. The coal trading division was merged with OKD on 1 June 2006. Since then, the division has not traded coal purchased from third parties. The metal trading division is not included in the Carve-out Accounts and is not part of the Company. The revenues and expenses had an impact on the consolidated revenues and operating expenses, but had no material impact on the net profit of the Company.

(2) The transport of coal and coke represents the costs for transportation of coal to customers invoiced directly as part of the price for coal delivery.

(3) Czech-Karbon, s.r.o. is a subsidiary of OKD that specializes in electricity trading. The company trades electricity with companies within the Company and with third parties. The revenues presented in the table represent the sales of electricity to third parties.

(4) OKD other sales include sales of coalbed methane to DPB, rock, gasoline and other services.

(5) Other includes revenues from auxiliary subsidiaries.

The majority of the Company's revenue is derived from coal and coke sales. Its key customers are Arcelor Mittal Steel, US Steel, Dalkia, Moravia Steel and Voestalpine Stahl. The majority of coal and coke sales are based on framework agreements which are re-priced mainly on an annual basis. See the section of this document entitled "Business—Long Term Framework Agreements" for further details.

The Company's hard coal mining business is conducted through OKD, a wholly owned subsidiary of the Company. OKD produces coking coal, accounting for approximately 56% of the overall tonnage of coal sold in 2007 to external customers, for use in steel production and high quality steam coal for use in power generation. Steam coal, which accounted for approximately 44% of all tonnage of the Company's coal sales in 2007, is used by utilities, heating plants and industrial companies to produce steam and electricity. While steam coal margins generally are lower than coking coal margins, steam coal has historically provided a stable source of revenue.

Geographic Segments

The Company operates in the Czech Republic and in other geographic segments. A summary of the Company's results by geographic segments in the 2007 Consolidated Financial Statements and in the Carve-out Accounts is presented below:

Geographic Segments	**Czech Republic**	**European Union "old 15"[(1)]**	**European Union— "new12"[(2)]**	**Rest of Europe**	**Total**
	For the year ended 31 December 2007 (EUR thousand)				
Segment Revenues					
External Sales	666,237	379,604	368,359	25,855	1,440,055
—Continuing operations	595,266	378,802	367,355	25,675	1,367,098
—Discontinued operations	70,971	802	1,004	180	72,957
Segment Assets	1,729,145	253,669	49,280	661	2,032,755
—Continuing operations	1,729,145	253,669	49,280	661	2,032,755
—Discontinued operations	—	—	—	—	—
Capital Expenditures	81,594	264	854	—	82,712
—Continuing operations	77,368	264	854	—	78,486
—Discontinued operations	4,226	—	—	—	4,226
	For the year ended 31 December 2006 (EUR thousand)				
Segment Revenues					
External Sales	757,054	229,634	227,975	20,285	1,234,948
Segment Assets	2,445,491	32,141	33,414	3,465	2,514,511
Capital Expenditure	81,845	—	155	—	82,000
	For the year ended 31 December 2005 (EUR thousand)				
Segment Revenues					
External Sales	537,618	453,247	273,525	36,344	1,300,734
Segment Assets	1,860,493	32,806	28,758	8,890	1,930,947
Capital Expenditure	85,084	—	105	—	85,189

(1) Includes Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Luxemburg, the Netherlands, Portugal, Spain and Sweden.

(2) Includes Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, Romania and Bulgaria but excludes the Czech Republic.

Reporting of the Results of the Mining Division and the Real Estate Division

In connection with the establishment of the Mining Division and the Real Estate Division effective from 31 December 2007, the Company reports the Mining Division and the Real Estate Division as separate financial reporting segments and discloses the financial position of the Divisons as of 31 December 2007 in 2007 Consolidated Financial Statements included elsewhere on the Company website, section referring to the Annual Report and Accounts 2008.

Description of Key Components of the Company's Income Statement

Revenue

The Company derives revenues primarily from the sale of coking and steam coal as well as coke. Other significant revenue categories include transport of coal and coke, sale of coke by-products and revenues from electricity trading. Prior to 2007, the Company was also involved in trading coal purchased

from third parties. Prior to the distribution of the transport and gas businesses, the Company also derived revenue from the sale of methane gas obtained in mine gas degasification operations as well as from transport and logistics services. Revenues attributable to transport and gas business for the year ended 31 December 2007 are presented as discontinued operations in the 2007 Consolidated Financial Statements and are not presented in the revenues line of the income statement.

Principal Costs and Expenses

The most significant expenses of the Company are the consumption of material and energy, service expenses (including contract workers) personnel expenses and depreciation. For the year ended 31 December 2007, the consumption of material and energy, service expenses, personnel expenses and depreciation accounted for 31%, 26%, 29% and 13%, respectively, of the operating expenses.

Consumption of Material and Energy. The consumption of material and energy is a significant cost item. It consists of three main items: consumption of material for mining operations (steel and wood supports etc.), consumption of spare parts for mining machines and consumption of energy. For 2005, a fourth significant item in consumption of material and energy was the costs of coal traded by Metalimex, purchased from third-party companies.

Service Expenses. Service expenses comprise the cost of contractors and of consulting, professional, transportation and other services. The vast majority of transportation services expenses are pass through costs invoiced directly to the Company's clients (and included in the Company's revenue). Professional service expenses are those costs associated with the services of attorneys, consultants and other professionals, and were relatively high in 2005 due to transactional costs associated with the Restructuring.

As the Company has increased its use of contractors for sourcing miners between 2005 and 2007, the costs of coal production have been increasingly included in service expenses. The Company expects to continue to use miners provided by contractors because it offers greater employment flexibility and because of the difficulty of hiring qualified mining employees. The use of contract workers has improved the flexibility and productivity of the Company's mining operations.

Personnel Expenses. Personnel expenses comprise of wages and salaries, social insurance costs, social security, employee benefits and other payroll costs for the Company's own employees. For comparison purposes, the employee benefits portion of the personnel expenses line item was presented under its own subheading. As discussed above, personnel expenses exclude the costs of workers employed by contractors, which are included in service expenses.

Employee Benefits. The Company's net obligation in respect of long term service benefits is the amount of benefits earned in return for their services in the current and prior periods payable more than 12 months after the balance sheet date. The change in the amount of the employee benefits obligation over the period is shown in the income statement.

The Company's employee benefit scheme covers the statutory requirements applicable to the mining industry and other benefits arranged with the labour union in the general labour agreement. All benefits are unfunded. Most of them are paid annually and are calculated based on length of service, level of exposure to health hazards and disability. Others are payable upon severance. Post employment and long term benefits are adjusted annually according to (i) a discount rate derived from the linear approximation of the yield curve of the Czech government bonds, (ii) the estimated wage increase per year, (iii) Czech official mortality models, and (iv) the applicable statutory retirement age.

Other Operating Expenses. Other operating expenses principally include compensation for mining damages, provisions for mine closures, property taxes and government fees and net loss on sale of receivables. Provisions for mine closures increased in 2006 as a result of a decision to close the Dukla site, which was part of the Paskov mine.

Sub total (Operating Income).

The income statement of the Company contains a line item captioned Sub total. The Company considers the line sub total in the financial statements to be the operating income of the Company. It includes all operating costs and revenues but does not reflect financial revenues or expenses or the effects of disposal of subsidiaries, results from discontinued operations and taxes.

Certain Factors Affecting Results of Operations

Certain factors relating to the Company's business and industry as well as the political, economic and legal environment in CEE affect the Company's results of operations. Such factors include, among others, the demand for coal, which is driven by the level of macroeconomic and industrial activity, most notably steel production and electricity consumption; the price of coal; changes in coal and coke production capacity of competitors; the cost of labour; and the level of production of the Company's mines.

Coal Prices and the Demand for Coal

The most significant factor affecting the results of operations of the Company is the price of coal and coke.

Due to its landlocked nature and the significant cost of transportation for coal importers ouside of Europe (Asia, Australia), the Czech Republic and neighbouring Central European countries represent a largely localized market for coal. The only significant regional coal producers capable of importing into the Czech market at competitive prices are mines in Poland, where there is significant domestic coal demand. As a result, historically there have been limited imports of coal into the Czech Republic with the majority of imports from Poland.

Driven by low wages, skilled labour force, a stabilizing economic and political environment and the proximity to established and other emerging markets, CEE has been experiencing significant private sector investments in industrial production and manufacturing capacity in recent years.

During the last three years, increasing demand for energy and increasing consumption of steel and steel products in CEE, resulted in relatively high prices of coking and steam coal as well as coke. A temporary decline in coking coal and coke prices occurred in 2006 caused by Polish competitors selling off excess inventory. Coking coal and coke prices have recovered in 2007. Coking coal prices increased in 2007 when the supply/demand balance stabilized. In the first three months of 2008 the average selling prices of coking coal increased by 61%, the average selling prices for the Company's steam coal increased by 44%, the average 6 month selling prices for the Company's coke increased 128% and the average 12 month selling price for coke increased by 37%. Any decrease in coal prices due to, among other things, fluctuations in the supply of domestic and foreign coal, the demand for electricity, and the price and availability of alternative fuels for electricity generation could adversely affect the Company's revenues, results of operations and its ability to generate cash flows.

The tables below summarize external coal and coke sales volumes and prices to external customers for the three years ended 31 December 2007, 2006 and 2005. For information regarding recent trends in coal prices, please see the section entitled "Recent Development, Current Trading and Prospects".

	Year ended 31 December		
	2007	**2006**	**2005**
Volumes of coal and coke sold in thousands of tonnes			

Coking coal..................	6,781	6,590	5,665
Steam coal....................	5,283	5,707	5,771
Coke............................	1,262	1,310	1,145
Average sales prices per tonne (EUR)			
Coking coal..................	86	77	88
Steam coal....................	48	45	45
Coke............................	178	144	181
Average sales prices per tonne (USD)[(1)]			
Coking coal..................	117	97	109
Steam coal....................	66	56	56
Coke............................	243	181	225

(1) Converted with average FX rates of 1.3670, 1.2536 and 1.2437 USD/EUR for the years ended 31 December 2007, 2006 and 2005 respectively. Sales are effected in EUR so the sale price in USD are provided just for convenience.

Cost Trends

The Company has experienced increased operating costs for spare parts, mining materials and fuel partly attributable to increased economic activity worldwide and in CEE. The Company has also experienced increases in labour costs as a result of admission of the Czech Republic to the EU and increased economic activity in the Czech Republic. This trend is expected to continue. Wage costs in CEE are expected to rise faster than in Western Europe in the coming years. The Company has in recent years used outside contractors to provide miners. The lower costs of contracted workers compared to own employees have increased the labour productivity of the Company's mining operations. In addition, the Company is currently reducing the level of employees in above ground operations and intends to reduce headcount further in connection with planned modernization of its mining equipment through the capital investment program, which is expected to improve the operational efficiency of its mines. Headcount of own employees decreased by 8% from 19,952 in 2006 to 18,360 in 2007. Headcount of contractors decreased by 8% from 3,871 utilized in 2006 to 3,576 utilized in 2007. For information regarding recent trends in employee/contractor costs, please see the section entitled "Recent Development, Current Trading and Prospects".

Effects of the Separation of the Real Estate Division

Overview of the Separation of the Mining Division and the Real Estate Division

The A Shares being sold in the Offer are designed to track the performance, and represent the economic value, of the Mining Division. The B Shares are designed to track the performance, and represent the economic value, of the Real Estate Division. The A Shares do not track the performance, and do not represent the economic value, of the Real Estate Division. The Company is offering only A Shares in the Offer. The B shares will be held before and upon completion of the Offer solely by RPGI, the controlling shareholder of the A shares.

Segment Information reflecting the Separation of the Mining Division and the Real Estate Division

The 2007 Consolidated Financial Statements disclose the financial position of the Mining Division and the Real Estate Division as at 31 December 2007 and certain income statement information. The segmental information is presented in the following table. Because the Mining Division and Real Estate Division were established at the Commencement Time, there were no revenues or costs attributable to

the Real Estate Division in 2007. For more detail see the section entitled “Selected Historical Financial Data”.

(EUR thousand)	Year ended 31 December 2007	
	Mining Division	Real Estate Division
Segment revenues		
Total revenues	1,367,098	—
Segment Result		
Segment result	207,516	—
Assets and liabilities as at 31. 12. 2007		
Segment assets	1,944,731	106,220
Segment liabilities	1,645,164	28,324
Other segment information:		
Capital expenditures	78,486	—
Depreciation	156,931	—
Amortization	9,326	—
Reversal of impairment of assets	21,959	—
Interest income	13,096	—
Interest expense	52,642	—
Average number of employees	18,360	—

Selected disclosures of basis of presentation of Division financial information

The 2007 Consolidated Financial Statements include two segments: one for the Mining Division and one for the Real Estate Division. As the Real Estate Division is a basic administration unit designed to manage assets of the Real Estate Division and residual interests in real estate that is currently being used by the Mining Division and has limited other operations, supplemental footnote disclosures related to the Real Estate Division are very limited. Accordingly, the segment information presented for the Mining Division and the Real Estate Division have been presented to show the financial position of each Division as of 31 December 2007 with all income and expense related activity for the year ended 31 December 2007 allocated to the Mining Division. Effective 1 January 2008 the Company started accounting and reporting for the operations of the Divisions separately.

The Mining Division is provided with unrestricted access to all Real Estate Assets necessary for its mining, coking and related operations for the time period, until these operations cease to exist. The Real Estate Assets include two groups of assets:

(i) Buildings and

(ii) land.

For Buildings the following criteria for identifying the relation between the divisions as financial leasing are met:

(i) the lease term is for the major part of the economic life of the asset,

(ii) the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Therefore the Buildings are accounted for in the balance sheet of the Mining Division and fully depreciated there. The Mining Division has a liability to return the Buildings to the Real Estate Division, however this liability becomes effective after mining, coking and related operations cease. Since the respective assets meet the criteria mentioned above, they will be fully depreciated in the Mining Division at the point in time when mining, coking and related operations stop in the future. Therefore there is a liability to return assets with a zero value, which is correspondingly valued at zero by the management of the Company. A finance leased asset has to be evaluated at the present value, which is the basis for depreciation. The annual fee paid for the use of the Assets of the Real Estate Division is accounted for as interest expense. The annual charge is capped by the Divisional Policy Statements at EUR 3,600 thousand per year for all Real Estate Assets provided by the Real Estate Division to the Mining Division. The cap may be adjusted upward for inflation. There is no requirement for the Mining Division to repay the present value of the Real Estate Assets provided in compliance with the overriding rules. Therefore, the amount of the present value, equal to the book value of the provided Real Estate Assets, is presented in the equity of the Mining Division. The amount decreases over time along with the depreciation of the provided assets. The cap is accounted for as financial interest from leasing in the Mining Division. The real estate assets' related deferred tax assets and liabilities are divided correspondingly between the divisions.

For land, the criteria for financial leasing cannot be met. However, land is provided to the Mining Division without any consideration. Thus the Mining Division is provided with the right to use the land for a period of time equal to the lifetime of its business operations. The right is depleted over the expected lifetime of the business operations using a linear amortization method. The assets are provided for an extensive period, however the value of the right is limited by the value of the asset provided. Therefore the right was determined as 100% of the book value on the date, when the divisions were established. The Real Estate Division has a corresponding liability to provide the land to the Mining Division, which decreases over time correspondingly to the depletion of the right to use the assets.

Shares of Garáže, all assets and liabilities of the consolidated subsidiary Rekultivace and all assets and liabilities in the IMGE internal unit of OKD are presented in the Real Estate Division.

If the Divisional Policy Statements had been in place as of 1 January 2007, the net impact on profit before tax allocated to the Mining Division for the financial year ended 31 December 2007 would have been EUR 9,465 thousand, representing 4% of net income before tax of the Company for the year ended 31 December 2007. The net impact results from additional costs of the Mining Division resulting from the cap of EUR 3,600 thousand and the depletion of the right to use land by the Mining Division of EUR 827 thousand, combined with the absence of the profit before tax of Rekultivace of EUR 5,038 thousand, since Rekultivace was part of the Mining Division until the implementation of the Divisional Policy Statements, but was allocated to the Real Estate Division as of 31 December 2007. The amounts are based on the assumption that the financial impact on the assets would have been the same as on 31 December 2007. As of 1 January 2008, the net profit of the Mining Division will be affected by additional costs resulting from the cap and the depletion of the right to use land by the Mining Division.

It is expected that, from time to time, provided that Czech law and the Company's business considerations allow, real estate will be transferred out of the relevant Czech subsidiaries of the Company to the holders of B Shares. Czech law and the Divisional Policy Statements will generally not permit real estate to be transferred out of the Czech subsidiaries until mining activity has ceased in the area proximate to the relevant real estate. The Company will declare distributions in kind from the equity allocated to the Real Estate Division solely to the holders of B Shares. The distribution of dividends is based on the Company's unconsolidated statutory shareholder's equity, which is higher than consolidated shareholder's equity as presented elsewhere in this annual report. Any share premium allocated to the B Shares will not be available for dividends, distributions or share repurchases or redemptions on the A Shares or other capital transactions. From the general share premium reserve of the Company EUR 75,000 thousand has been allocated to share premium reserve C and as at 31 December 2007,

EUR 90,000 thousand has been allocated to share premium reserve B and the remainder of EUR 244,839 thousand to share premium reserve A. This share premium reserve A, plus capital in excess of nominal value paid with respect to new A Shares sold in the Offer, plus retained earnings allocated to the Mining Division will be available to pay dividends and make other distributions to the holders of A Shares. To the extent that the Mining Division does not earn profits, its ability to pay dividends or other capital return transactions will be significantly limited.

Results of Operations

Fiscal Year 2007 versus Fiscal Year 2006

The following discussion is based on the 2007 Consolidated Financial Statements and the Carve-out Accounts (as converted to EUR).

	Year ended 31 December		Change	
(EUR thousand)	**2007**	**2006**		**%**
Revenues	1,367,098	1,234,948	132,150	11%
Change in inventories of finished goods and work-in-progress	(10,308)	(9,339)	(969)	10%
Net gain from material sold	6,385	4,778	1,607	34%
Consumption of material and energy	(363,977)	(318,552)	(45,425)	14%
Service expenses	(306,433)	(267,696)	(38,737)	14%
Personnel expenses	(334,965)	(322,418)	(12,547)	4%
Employee benefits	(3,251)	(18,000)	14,749	(82)%
Depreciation	(156,931)	(215,321)	58,390	(27)%
Amortization	(9,326)	(9,539)	213	(2)%
Reversal of impairment of property, plant and equipment	21,959	50,743	(28,784)	(57)%
Reversal of impairment of receivables	491	1,527	(1,036)	(68)%
Gain from sale of property, plant and equipment	1,305	406	899	221%
Other operating income	3,758	8,381	(4,623)	(55)%
Other operating expenses	(8,289)	(31,605)	23,316	(74)%
SUB-TOTAL OPERATING PROFIT	207,516	108,313	99,203	92%
Financial income	142,621	66,269	76,352	115%
Financial expense	(110,490)	(44,157)	(66,333)	150%
PROFIT FROM CONTINUING OPERATIONS—BEFORE TAX	239,647	130,425	109,222	84%
Income tax expense	(48,976)	(29,784)	(19,192)	64%
PROFIT FROM CONTINUING OPERATIONS	190,671	100,641	90,030	89%
PROFIT FROM DISCONTINUED OPERATIONS	5,821	—	5,821	—
PROFIT FOR THE PERIOD	196,492	100,641	95,851	95%

Revenues

Revenues in 2007 were EUR 1,367,098 thousand, 11% higher than the revenues of EUR 1,234,948 thousand in 2006. The EUR 132,150 thousand difference reflects mainly an increase in revenues from coking coal and coke sales.

	Year ended 31 December		Change	
(EUR thousand)	**2007**	**2006**		**%**
Revenues				
External coking coal sales (EXW)	579,800	509,278	70,522	14%
External steam coal sales (EXW)	253,495	258,457	(4,962)	(2)%
External coke sales (EXW)	224,629	188,413	36,216	19%
Coal trading (Metalimex)	—	32,886	(32,886)	(100)%
Coal and coke transport by OKD	111,425	99,354	12,071	12%
Sale of coke by-products	24,939	24,813	126	1%
Electricity trading (Czech-Karbon s.r.o.)	78,528	28,550	49,978	175%
OKD other sales	56,284	62,777	(6,493)	(10)%
Other	37,998	30,420	7,578	25%
Total	**1,367,098**	**1,234,948**	**132,150**	**11%**

Coking coal sales at EXW prices increased by 14% to EUR 579,800 thousand for the year ended 31 December 2007 from EUR 509,278 thousand for the same period in 2006. The revenue increase of EUR 70,522 thousand reflects higher prices (representing an increase of EUR 56,060 thousand) combined with increased volumes of coking coal sold (increase of EUR 14,462 thousand). Tonnes sold increased by 3% to 6,781 thousand tonnes for the year ended 31 December 2007 from 6,590 thousand tonnes for the same period in 2006, reflecting a decline of stock.

Steam coal sales at EXW prices decreased by 2% to EUR 253,495 thousand for the year ended 31 December 2007 from EUR 258,457 thousand for the same period in 2006. The revenue decrease of EUR 4,962 thousand reflects higher prices (representing an increase of EUR 17,046 thousand), which were more than offset by a decrease in volumes of steam coal sold (decrease of EUR 22,008 thousand). Tonnes sold decreased by 7% to 5,283 thousand tonnes for the year ended 31 December 2007 from 5,707 thousand tonnes for the same period in 2006.

Coke sales at EXW prices increased by 19% or EUR 36,216 thousand to EUR 224,629 thousand for the year ended 31 December 2007 from EUR 188,413 thousand for the same period in 2006. Although tonnes sold decreased by 4% to 1,262 thousand tonnes for the year ended 31 December 2007 from 1,310 thousand tonnes for the same period in 2006 (representing a decrease in sales of EUR 8,283 thousand), this decrease in coke sale was more than offset by higher coke sales prices (representing an increase in sales of EUR 44,499 thousand). The decrease in volume of coke sold resulted in an increase of coke stock at OKD.

Change in Inventories

Change in inventories of finished products and work-in-progress decreased by EUR 969 thousand for the year ended 31 December 2007 compared to the same period in 2006. The higher decrease in inventory for the year ended 31 December 2007 is mainly the result of a decrease in stock of coal at OKD, which is EUR 8,167 thousand higher than in the same period in 2006, which is partly offset by relatively lower decrease in coke inventory at OKK by EUR 6,585 thousand.

Operating Expenses

Operating expenses were EUR 1,160,722 thousand for the year ended 31 December 2007, 3% above operating expenses for the same period in 2006. The difference of EUR 29,861 thousand is mainly due to the increase in consumption of material and energy and in service expenses.

Consumption of Material and Energy

	Year ended 31 December		Change	
(EUR thousand)	**2007**	**2006**		**%**
Consumption of material and energy				
Mining material	90,811	86,834	3,977	5%
Spare parts	34,020	35,794	(1,774)	(5)%
Polish coal consumption for coking	52,674	33,340	19,334	58%
Energy for coal mining (OKD)	67,299	64,343	2,956	5%
Energy for coking (OKK)	11,860	11,644	216	2%
Coal trading (Metalimex)	—	20,533	(20,533)	(100)%
Electricity trading (Czech Karbon)	99,755	48,352	51,403	106%
Other	7,558	17,712	(10,154)	(57)%
Total	**363,977**	**318,552**	**45,425**	**14%**

Consumption of material and energy for the year ended 31 December 2007 was EUR 363,977 thousand, 14% above the consumption of material and energy of EUR 318,552 thousand in the same period in 2006. The most significant differences in the structure of consumption of material and energy are the increase in electricity trading activities of the Company's subsidiary, Czech-Karbon s.r.o., and the increase in consumption of Polish coking coal in the coking production, thus replacing own coking coal which is sold to third parties instead. This is partly offset by the decrease in trading activities of the coal trading division (originally operated by the former OKD subsidiary Metalimex), which ceased to trade coal from third parties after becoming part of OKD in June 2006. The consumption of mining material was stable reflecting the unit price increase.

Service Expenses

Service expenses for the year ended 31 December 2007 were EUR 306,433 thousand, 14% higher than EUR 267,696 thousand for the same period in 2006. The difference is mainly due to an increase in transport expenses:

	Year ended 31 December		Change	
(EUR thousand)	**2007**	**2006**		**%**
Service expenses				
Coal and coke transport costs	114,108	97,334	16,774	17%
Contractors (OKD)	70,558	68,804	1,754	3%
Maintenance for OKD and OKK	31,141	26,927	4,214	16%
Sidings at mines	10,346	12,184	(1,838)	(15)%
Consulting and advisory fees for OKD	12,136	20,171	(8,035)	(40)%
Advisory expenses for NWR	19,278	—	19,278	—
Other[(1)]	48,866	42,276	6,590	16%
Total	**306,433**	**267,696**	**38,737**	**14%**

(1) includes non-OKD contractors

Transportation expenses represent a significant portion of the service expenses. However, almost all transportation expenses are incurred in relation to deliveries of coal to customers and are then directly re-invoiced to these customers and included in revenue, which means that transportation costs are just a pass-through item and do not have a material impact on the Company's financial results. The increase in 2007 is the result of increased unit prices combined by a different customer portfolio with higher transportation expenses. The increase is reflected in the revenues from coal and coke transport.

Expenses associated with contractors for the year ended 31 December 2007 increased by 3% despite a decrease in headcount of 8%. The increase reflects the increase in average costs per contractor of 13%. The Company expects further increase in unit expenses for contractors in 2008.

	Year ended 31 December		Change	
	2007	2006		%
Contractors average headcount				
Total	3,576	3,871	(295)	(8)%
—of which OKD mining	3,068	3,387	(319)	(9)%

Consulting and advisory service expenses for OKD were lower for the year ended 31 December 2007 compared to the same period in 2006 because of higher costs associated with the Restructuring and Recapitalization in 2006. Also NWR issued bonds with a reporting covenant in 2007, resulting in an increase in advisory services required by the Company.

Personnel Expenses

Personnel expenses for the year ended 31 December 2007 were EUR 334,965 thousand, 4% above personnel expenses of EUR 322,418 thousand in 2006. The decrease in the average number of employees by 8% from 19,952 in 2006 to 18,360 in 2007 was more than offset by higher bonus payments in 2007 made to all employees of the Company, high severance payments for the year ended 31 December 2007 resulting from a higher number of lay offs in 2007 compared to 2006 and higher average wages.

	Year ended 31 December		Change	
	2007	2006		%
Employees average headcount				
Own employees	18,360	19,952	(1,592)	(8)%
—of which OKD mining	10,663	11,595	(932)	(8)%

Depreciation

Depreciation for the year ended 31 December 2007 was EUR 156,931 thousand, 27% lower than depreciation of EUR 215,321 thousand in 2006. The decrease is mainly due to a one-time depreciation of assets in the amount of EUR 40,171 thousand in 2006, resulting from the decision to close Dukla mine.

Reversal of Impairment of Fixed Assets

The impact of the reversal of the impairment of the coking assets in OKK was EUR 18,659 thousand for the year ended 31 December 2007 and EUR 50,743 thousand in 2006[(1)]. The impact of the reversal of the impairment of the assets in Rekultivace was EUR 3,300 thousand for the year ended 31 December 2007. There was no other impairment recognized or released in 2007 and 2006.

(1) The original amount of impairment at OKK was released partly in 2006 and partly in 2007 based on updated business plans of OKK. The increase in coke prices in 2007 and 2008 was one of the main factors for the improvement in the business plans. The original amount of impairment at Rekultivace was released based on an expert's valuation of the assets.

Reversal of Impairment of Receivables

The net impact of the bad debt expense reversals (reversal of impairment of receivables) for the year ended 31 December 2007 was EUR 491 thousand and EUR 1,527 thousand in 2006.

Net Gain from Material Sold

The net gain from material sold for the year ended 31 December 2007 was EUR 6,385 thousand, 34% higher than net gain from material sold of EUR 4,778 thousand in 2006. The gain of EUR 1,607 thousand was primarily attributable to higher margins on material sold. The sale of material is not a Core Business activity.

Gains from Disposal of Property, Plant and Equipment

Gains from disposal of property, plant and equipment for the year ended 31 December 2007 were EUR 1,305 thousand compared to EUR 406 thousand for the same period in 2006. This increase was primarily attributable to the sale of a building by OKD, BASTRO, a.s. and by the sale of property from Dukla mine, which is being closed.

Other Operating Income and Expense

Other operating income was EUR 3,758 thousand for the year ended 31 December 2007, 55% lower than other operating income of EUR 8,381 thousand in the same period in 2006. Other operating expenses for the year ended 31 December 2007 were EUR 8,289 thousand, 74% lower than other operating expenses of EUR 31,605 thousand in the same period in 2006. Other operating expenses are influenced by a provision created for the Dukla mine closure in the amount of EUR 12,909 thousand in 2006, of which EUR 1,562 thousand was released in 2007.

Operating Income (Sub-total)

Operating income (Sub-total) for the year ended 31 December 2007 was EUR 207,516 thousand, which was 92% higher than the operating income of EUR 108,313 thousand in 2006. The increase was primarily the result of the increase in sales of coking coal and coke for the year ended 31 December 2007 and the one-time provision and depreciation relating to Dukla mine closing in 2006.

Financial Income

	Year ended 31 December		**Change**	
	2007	**2006**		**%**
Financial income				
Bank interest received	13,044	10,105	2,939	29%
Other interest received	52	32	20	63%
Realized and unrealized foreign exchange gains	69,481	16,940	52,541	310%
Profit on revaluation of derivative instruments	42,639	38,231	4,408	12%

Gain on disposal of investment	16,529	—	16,529	—
Other	876	961	(85)	(9)%
Total	**142,621**	**66,269**	**76,352**	**115%**

Financial income increased to EUR 142,621 thousand for the year ended 31 December 2007 from EUR 66,269 thousand in the same period in 2006. The increase was due primarily to gain on disposal of investment of EUR 16,529 thousand and to higher foreign exchange (mainly EUR/CZK FX rate) gains (EUR 69,481 thousand for the year ended 31 December 2007 compared to EUR 16,940 thousand in 2006). The income from revaluation of derivatives increased by EUR 4,408 thousand (EUR 42,639 thousand for the year ended 31 December 2007 compared to EUR 38,231 thousand in 2006).

Financial Expense

	Year ended 31 December		**Change**	
	2007	**2006**		**%**
Financial expense				
Bank interest expense	36,863	3,424	33,439	977%
Bond interest expense	13,644	—	13,644	—
Interest on finance leases	4	19	(15)	(79)%
Other interest expense	2,131	2,240	(109)	(5)%
Realized and unrealized foreign exchange losses	50,091	22,131	27,960	126%
Loss on derivative instruments	—	6,466	(6,466)	(100)%
Bank fees	2,361	201	2,160	1075%
Other	5,396	9,676	(4,280)	(44)%
Total	**110,490**	**44,157**	**66,333**	**150%**

Financial expense is comprised primarily of foreign exchange losses (EUR 50,091 thousand for the year ended 31 December 2007 compared to EUR 22,131 thousand in 2006) and interest expense. The expense increase of EUR 66,333 thousand was primarily attributable to an increase in foreign exchange losses and to an increase in bank interest expense in the amount of EUR 33,439 thousand, as the drawdown of loans under the Senior Secured Facilities occurred in November 2006 and therefore the associated interest influenced primarily financial expenses for the year ended 31 December 2007, as well as interest expense in the amount of EUR 13,644 thousand for the year ended 31 December 2007, relating to the Company's EUR 300,000 thousand of 7.375% Senior Notes issued in May 2007.

Profit from Continuing Operations before Tax

Profit from continuing operations before tax for the year ended 31 December 2007 was EUR 239,647 thousand, which was 84% higher than profit before taxation of EUR 130,425 thousand in 2006. The factors influencing profit from continuing operations before tax are discussed above.

Income Tax Expense

Income tax expense for the year ended 31 December 2007 was EUR 48,976 thousand, 64% higher than the income tax expense of EUR 29,784 thousand in the same period in 2006 due to higher profit before tax. The effective tax rates were 21% and 23% for the years ended 31 December 2007 and 2006, respectively. The relatively higher effective tax rate in 2006 was primarily affected by non-deductible expenses related to the closure of the Dukla mine.

Profit from Discontinued Operations

Doprava and DPB were subsidiaries of the Company until 28 June 2007. On 28 June 2007, they were distributed to the sole shareholder of the Company, RPGI. The financial performance of these companies for the period ended 28 June 2007 is presented in the line Profit from discontinued operations and amounts to EUR 5,821 thousand. Because of the methodologies used in the preparation of the Carve-out Accounts, Doprava and DPB were not included in the Carve-out Accounts for 2006.

Profit for the Period

Profit for the year ended 31 December 2007 was EUR 196,492 thousand, which was 95% higher than profit of EUR 100,641 thousand for 2006. The increase was the result of an increase in profit before taxation and lower effective tax rate.

Review of Assets and Liabilities

The following table sets forth, for the periods indicated, selected balance sheet data as of 31 December 2007, 2006 and 2005, including a convenience translation into EUR from CZK for the Carve-out Entities as of 31 December 2005 and 2006, and a convenience translation into CZK from EUR for the Company as of 31 December 2007.

	Historical			**Historical**		
	Company	**Carve-out Entities**		**Company**	**Carve-out Entities**	
	As of 31 December			**As of 31 December**		
(in millions)	**2007[(1)]**	**2006**	**2005**	**2007**	**2006[(2)]**	**2005[(2)]**
	CZK	**CZK**	**CZK**	**EUR**	**EUR**	**EUR**
ASSETS						
Property, Plant and Equipment	27,951	29,563	31,918	1,050	1,076	1,101
Mining licenses	4,765	5,016	5,286	179	182	182
Other financial investments	80	96	90	3	3	3
Long-term receivables	186	84	59	7	3	2
Deferred tax asset	53	—	—	2	—	—
Restricted cash	639	489	264	24	18	9
TOTAL NON-CURRENT ASSETS	33,674	35,248	37,617	1,265	1,282	1,297
Inventories	852	1,141	1,673	32	41	58
Accounts receivable and prepayments	4,259	4,047	4,481	160	147	154
Derivatives	2,023	938	2	76	34	—
Income tax receivable	692	409	660	26	15	23
Cash and cash equivalents	12,618	27,354	11,574	474	995	399
TOTAL CURRENT ASSETS	20,444	33,889	18,390	768	1,232	634
TOTAL ASSETS	**54,118**	**69,137**	**56,007**	**2,033**	**2,514**	**1,931**
EQUITY AND LIABILITIES						
TOTAL EQUITY	10,036	34,598	40,398	377	1,258	1,393
LIABILITIES						
Provisions	2,875	3,218	3,133	108	118	108
Long-term loans	19,273	16,957	4	724	616	—
Bond issued	7,693	—	—	289	—	—
Employee benefits	2,289	2,385	2,133	86	87	74
Deferred revenue	266	88	85	10	3	3
Deferred tax liability	2,795	3,551	4,263	105	129	147

Other long-term liabilities	—	7	12	—	—	—
TOTAL NON-CURRENT LIABILITIES	35,191	26,206	9,630	1,322	953	332
Provisions	240	425	198	9	15	7
Accounts payable and accruals	5,084	4,306	5,006	191	157	172
Accrued interest payable on bond	80	—	—	3	—	—
Derivatives	—	50	—	—	2	—
Income tax payable	1,544	753	665	58	27	23
Current portion of long-term loans	1,783	2,743	—	67	100	—
Short-term loans	160	56	110	6	2	4
TOTAL CURRENT LIABILITIES	8,891	8,333	5,979	334	303	206
TOTAL LIABILITIES	44,082	34,539	15,609	1,656	1,256	538
TOTAL EQUITY AND LIABILITIES	**54,118**	**69,137**	**56,007**	**2,033**	**2,514**	**1,931**

(1) The financial data for the year ended 31 December 2007 have been derived from the consolidated financial statements of the Company for the year ended 31 December 2007, which are presented in euros. A convenience translation from euros to Czech korunas has been provided for purposes of comparability where Balance Sheet Data have been translated with the period end exchange rate for the relevant period. The period end exchange rate for the year ended 31 December 2007 from euros to Czech korunas was EUR 1.00=CZK 26.62. As indicated, the amounts presented in Czech korunas have been translated from euros for information purposes and for the convenience of the reader. We do not represent that the translated amounts actually represent such Czech koruna amounts or could be converted into Czech korunas at the rates indicated or any other rate.

(2) The financial data for the years ended 31 December 2006 and 2005 have been derived from the carve-out financial statements of the mining operations of RPGI for the years ended 31 December 2006 and 2005, which are presented in Czech korunas. A convenience translation of Czech korunas to euros has been provided for the purposes of comparability, where Balance Sheet Data have been translated with the period end exchange rate for the relevant periods. The period end exchange rates for the years ended 31 December 2005 and 2006 from Czech korunas to euros were EUR 1.00=CZK 29.01 and EUR 1.00=CZK 27.50. As indicated, the amounts presented in euros have been translated from Czech korunas for information purposes and for the convenience of the reader. We do not represent that the translated amounts actually represent such euro amounts or could be converted into euros at the rates indicated or any other rate.

Non-current assets of the Company have been relatively stable from 2005 to 2007. Depreciation charges with respect to property, plant and equipment was substantially offset in each year by the purchase of additional equipment. As part of the Restructuring the Company disposed of significant amounts of non-core businesses. These disposals do not affect the carve-out financial statements of RPGI for the years 2005 and 2006 because these financial statements were prepared to reflect the coal and mining business of RPGI and do not include the disposed business. See the section of this document entitled “Operating and Financial Review and Prospects”.

In 2007 the Company transferred its gas and transport businesses to RPGI, its then sole shareholder, as an in specie dividend. The gas and transport businesses were not included in the 2005 and 2006 carve-out financial statement of RPGI and are reflected as discontinued businesses in the 2007 financial statements of the Company.

Current assets increased 94% to EUR 1,232 million in 2006 from EUR 634 million in 2005. The increase was substantially attributable to a cash increase resulting from the initial drawdown of EUR 720 million under the Senior Secured Facilities in late 2006. This drawdown was in anticipation of a

dividend payment as part of the recapitalisation of the Company. The decrease of current assets by 38% to EUR 768 million from EUR 1,232 million in 2006 was primarily attributable to a decrease in cash. The decrease in cash of EUR 801 million distributed as dividend by the Company in January 2007 was partly offset by the additional drawdown of EUR 300 million under the Additional Loan Option under the Senior Secured Facilities and the proceeds of EUR 300 million from the 7.375% Senior Notes issued in May 2007.

Liabilities increased 133% from EUR 538 million in 2005 to EUR 1,256 million in 2006 and increased by 32% to EUR 1,656 million in 2007. The main factors affecting the increase in liabilities from 2005 to 2007 were the drawdowns of EUR 1,020 million under the Senior Secured Facilities and the issuing of EUR 300 million of 7.375% Senior Notes.

For further detail on the Company's indebtedness, development of working capital and cash refer to section of this document entitled "Operating and Financial Review and Prospects".

Liquidity and Capital Resources

The Company is a holding company with no significant revenue-generating operations of its own and will rely on dividends or other distributions from subsidiaries, intercompany loans or other capital contributions to make interest and principal payments on its debt and distributions of dividends to its shareholders. The dividends, distributions or other payments from subsidiaries are expected to be funded by cash from their operations. The Company's working capital is funded through cash flow from the Company's operations, the proceeds raised in this Offer and availabilities under the Revolving Credit Facilities. The Company is of the opinion (having made due and careful enquiry) that the working capital available to the Company is sufficient for its present requirements, that is, at least for the period of 12 months from Admission.

The liquidity requirements of the Company arise primarily from required capital expenditures, working capital requirements, dividend payment, repayment of debt and, on a selective basis, acquisitions. The Company expects to continue to make additional capital expenditures to expand and improve the quality and coverage of operations as demand warrants. For example, in late 2007, the Company adopted a new technology implementation programme which includes implementation of technology in the amount of of approximately EUR 315 million over three years beginning 2008 to improve productivity and its reserve base at its existing mines in the Czech Republic. Pursuant to this plan, the Company has entered into an agreement to acquire EUR 150 million worth of mining equipment and has submitted a purchase order to acquire a majority of the remaining EUR 165 million worth of equipment shortly. In addition, one of the two coking batteries operated by the Šverma coking facility is expected to have its useful life end in 2011 at which time, absent a refurbishment, it will cease operations. The Board recently agreed to construct a new coking battery at the Svoboda coking facility, which is expected to cost approximately EUR 70 million. The Directors have determined in principle to maintain the Company's current coke production abilities, which may require the refurbishment of, or technological improvements at one or more of its facilities, or the construction of another coking facility. The Company has not definitely decided upon which of such options to pursue or the timing of pursuing any of these options. The Company has retained an engineering firm to evaluate the costs and time frame for construction of new coking facilities and refurbishing the existing facilities. Pursuing any of the foregoing options would require significant additional capital expenditures. The management believes the majority of these requirements can be met by cash flow from operations, the Offer and the Revolving Credit Facilities.

The main factors affecting the Company's liquidity are the prices of coal and sales volumes, foreign exchange rates and the payment discipline of the Company's customers. The Company expects

production levels to decline in 2008 by approximately 1% compared to production levels in 2007. For further details, see the section of this document entitled "Derivatives" or "Risk Factors".

Fiscal year ended 31 December 2007 versus Fiscal year ended 31 December 2006

The table below sets forth, for the periods indicated certain information about the Company's cash flow:

	Year ended 31 December	
(EUR thousand)	**2007**	**2006**
Profit/(loss) before taxation and minority interest........	247,750	130,426
Adjustments for non-cash income items....................	69,007	144,906
Working capital changes...	4,137	(2,236)
Corporate income tax paid.......................................	(63,324)	(43,147)
Net cash flows from operating activities................	**257,570**	**229,949**
Net cash flows used in investing activities............	**(75,631)**	**(59,581)**
Repayments of / Proceeds from borrowings..............	347,693	703,383
Dividends paid..	(1,076,760)	(316,967)
Net cash flows (used in)/from financing activities.	**(729,067)**	**386,416**

Cash Flow from Operating Activities

Net cash flows from operating activities increased by 12% to EUR 257,570 thousand for the year ended 31 December 2007, compared with EUR 229,949 thousand for the same period in 2006, primarily due to increase in revenue reflecting the increase in coal and coke revenues in the amount of EUR 101,776 thousand. The decrease in working capital for the year ended 31 December 2007 was mainly due to a decrease in inventories (EUR 8,096 thousand), resulting from an excess of coal production over coal sales volumes, and increase in payables resulting from a higher income tax payable for the year ended 31 December 2007 (EUR 58,446 thousand) compared to 2006 (EUR 29,588 thousand), partly offset by the increase in receivables resulting from higher sales (increase of EUR 15,067 thousand).

Cash Flow from Investing Activities

Net cash outflows from investing activities increased by 27% to EUR 75,631 thousand for the year ended 31 December 2007, compared with outflow of EUR 59,581 thousand for 2006. The amount mainly reflects purchases of property, plant and equipment. In 2007 the net cash flow used in investing activities includes cash of subsidiaries distributed as dividends in kind of EUR 24,445 thousand.

Capital Expenditures

The following table presents the Company's capital expenditures as depicted in the Company's statements of cash flows for the years ended 31 December 2007 and 2006:

	Year ended 31 December	
(EUR thousand)	**2007**	**2006**
Purchase of land, property, plant and equipment	82,712	82,001

Capital expenditures consist principally of expenditures for mining equipment. Capital expenditures increased for the year ended 31 December 2007 compared to the same period in 2006, due to higher prices of equipment and a higher amount of development investments (i.e. investments in equipment with higher capacity or more advanced technology than the equipment it replaced).

Net Cash Flows from Financing Activities

Net cash flows from financing activities decreased to an outflow of EUR 729,067 thousand for the year ended 31 December 2007, compared to an inflow of EUR 386,416 thousand for 2006. The cash flow used in financing activities for the year ended 31 December 2007 is influenced by the distribution of dividends in the amount of EUR 1,076,760 thousand and repayment of net proceeds from borrowings in the amount of EUR 347,693 thousand compared to dividend of EUR 301,588 thousand and net proceeds from borrowings of EUR 703,383 thousand for 2006.

Capital Resources

The Company's principal source of liquidity has historically been the Company's operating cash flows and bank borrowings. In connection with the Recapitalization and the Restructuring, OKD entered into the Senior Facilities Agreement. The net proceeds to the Company of the Offer will be used to finance future acquisitions and partially finance future capital expenditure of the Company. The remaining portion of future capital expenditure may be funded by the Company's operating cash flows or by funds raised through other means of financing, including an offering of debt or equity of the Company. In addition, in order to fund its Development Projects; at such time as the Company may engage in construction of infrastructure, the Company will be required to incur additional indebtedness or raise equity funds to fund such projects. See the section of this document entitled "Risk Factors—Risks Relating to the Company's Business and the Industry—The Company must make significant capital expenditures in order to increase its production levels and improve overall efficiency. The inability to finance these and other expenditures could have a material adverse effect on the Company's business, financial condition or results of operations" for further details.

The Company had EUR 69 million available under the Revolving Credit Facilities as at 31 December 2007.

Since the completion of the Recapitalization and the Restructuring, the Company has been highly leveraged and has serviced significant debt service obligations. As of 31 December 2007, the Company had approximately EUR 1,085,690 thousand of external indebtedness, of which EUR 790,679 thousand is from the Senior Secured Facilities, EUR 289,316 thousand is from 7.375% Senior Notes due 2015 and EUR 5,695 thousand is from other short term loans. No further drawdowns are available under the Senior Secured Facilities.

The Company monitors capital using a gearing ratio defined as net debt divided by EBITDA. As of 31 December 2007 the gearing ratio for the Company was 1.75. The Company is required to hold a gearing ratio of senior indebtedness below 2.75. The Company defines EBITDA as net profit after tax from continuing operations before minority interest, income tax, net financial costs, depreciation and amortization, impairment of property, plant and equipment and gains/losses from sale of PPE.

Off Balance Sheet Arrangements

In the ordinary course of business, the Company is party to certain off balance sheet arrangements. These arrangements include assets related to the construction and related geological survey work at Frenštát. These assets are maintained by OKD but are not reflected in its books. The assets were booked as costs and have not been utilized. The original cost of these assets was EUR 33,494 thousand (based on the CZK/EUR exchange rate reported by Czech National Bank as at 31 December 2007), of which EUR 29,647 thousand was the value of assets located in the mine and EUR 3,847 thousand is the value of assets located on the surface. Liabilities related to these arrangements are not reflected in the Company's balance sheets and management does not expect that

these off balance sheet arrangements will have material adverse effects on the Company's financial condition, results of operations or cash flows.

The de-merger gave rise to cross-guarantees between the Company and certain affiliates of the Company, including OKD, Doprava and DPB, pursuant to which each party has a contingent liability for liabilities assumed by other parties to the demerger. Such contingent liability is limited to the amount of the net assets retained by such party in the demerger. Those guarantees are not reflected in the Company's balance sheets.

Contractual Obligations

The following is a summary of the Company's significant future contractual obligations by year as of 31 December 2007. Some of the figures included below are based on management's estimates and assumptions about these obligations, including their duration, anticipated actions by third parties, and other factors. Because these estimates and assumptions are necessarily subjective, the enforceable and legally binding obligations payable in future periods may vary from those reflected below.

	Payments for years ended 31 December			
(EUR thousand)	**2008**	**2009**	**2010-2011**	**After 2011**
7.375% Senior Notes due 2015	—	—	—	300,000
Senior Secured Facilities	66,823	60,412	90,316	573,110
Short Term Bank Loans	2,049	3,646	—	—
Interest Payments	61,669	58,397	107,907	115,746
Interest on Senior Secured Facilities	*39,544*	*36,272*	*63,657*	*41,074*
Interest on Senior Notes	*22,125*	*22,125*	*44,250*	*74,672*
Total[(1)]	**130,541**	**122,455**	**198,223**	**988,855**

(1) This table above excludes contractual obligations resulting from foreign exchange rate hedging derivatives and interest rate swaps.

As of 31 December 2007, the Company had outstanding commitments with respect to operating leases with payment obligations of EUR 7,294 thousand due within five years. The Company also had commitments to purchase property equal to EUR 25,731 thousand as at 31 December 2007. In late 2007, the Company adopted a new technology implementation programme which includes implementation of technology of approximately EUR 315 million over three years beginning 2008 to improve productivity and its reserve base at its existing mines in the Czech Republic. Pursuant to this plan, the Company has entered into an agreement to acquire EUR 150 million worth of mining equipment and has submitted a purchase order to acquire a majority of the remaining EUR 165 million worth of equipment in the second quarter of 2008.

Pensions

Under the pension and retirement system of the Czech Republic, pension plans and retirement benefits are fully funded by the state budget. There are no pension liabilities born by the Company.

Contingent Liabilities

Contingent liabilities include clean up liabilities related to a decommissioned coking plant owned by OKK, and the Company's involvement in several litigation proceedings. It is not possible to estimate the exact potential exposure related to such proceedings, as the monetary value of some of the claims have not been specified and the likelihood of success in such proceedings cannot be assessed at this

time. However, based on advice of counsel, management believes that the current litigation and claims will not have a significant impact on the Company's financial position.

The Company is liable for all environmental damage caused by mining activities since the original privatization. These future costs can generally be split into two categories—restoration and mining damages. Restoration liabilities are liabilities to restore the land to the condition it was in prior to the mining activities or as stated in the exploration project. Mining damages are liabilities to reimburse all immediate danger caused by mining activities to third party assets.

Provisions for restoration costs are recognized as the net present value of the estimated costs. Restoration costs represent a part of the acquisition cost of fixed assets and such assets are amortized over the useful life of the mines using the sum of the digits method. The provision is compounded every year to reflect the current price level. In addition, the Company analyzes the accuracy of the estimated provision annually. Any change in the estimate of restoration costs is recognized within fixed assets and is depreciated over the remaining useful life of the mines.

Derivatives

The Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

For the year ended 31 December 2007 the gain from derivatives revaluation was EUR 42,639 thousand. As of 31 December 2007 the aggregate fair value of the cash flow hedges aggregates an unrealized gain of EUR 76,008 thousand and an unrealized loss of EUR 226 thousand, and this is recorded in current assets and current liabilities in the balance sheets respectively.

Seasonal Fluctuations in Quarterly Results of Operations

There are no major fluctuations in quarterly results except a decrease in sold volumes of coal in July, with the July sale volumes approximately 15% below average. The coal production plans reflect the slight decrease in sales volumes in July and plans for main maintenance operations at that time.

Quantitative And Qualitative Disclosure About Market Risk

Commodity Price Risk

Market risks related to the Company's operations result primarily from demand for coking coal and fluctuations in coal prices, currency fluctuation and interest rates.

The Company does not hedge against, and is exposed to, any declines in coal prices. Because the Company's levels of coal production have been relatively stable, the price of coal is the most significant factor affecting the Company's results of operations.

A change in prices would significantly influence the financial performance of the Company. The coal mining business generally is a high fixed cost business. Consequently, a significant decline in the price of coal would have a material adverse effect on the Company's results of operations.

Foreign Currency Risk

A significant amount of the Company's expenses are denominated in Czech koruna. The functional currency of the Company is the Czech koruna. Approximately 56% of the Company's revenues are denominated in Czech korunas and 44% of the Company's revenues are denominated in euros. A

substantial portion of the Company's long-term debt is in euros and the Company's working capital facilities, which are currently un-drawn, are denominated in Czech koruna. The Company's costs and revenues are positively affected by appreciation of the euro against the Czech koruna, and negatively affected when the euro depreciates against the Czech koruna.

The Company is exposed to foreign exchange risks arising from sales, purchases, receivables and loans that are denominated in currencies other than CZK. The Company mitigates foreign currency risks by entering into forward exchange rate contracts. The amount currently covered is approximately two-thirds of the expected open position per year through 2013 with average forward exchange rate of approximately 28 CZK/EUR through 2013.

The sensitivity of the Company's financial performance on the change in the foreign exchange rate is presented in the following table:

Increase in foreign exchange rate by 1%	**Effect on profit after tax in EUR thousand**
Cash & bank balances	(122)
Accounts receivables	(447)
Financial instruments	8,036
Accounts payables	163
Loans	2,012
Total	**9,642**

Interest Rate Risk

The Company has entered into forward interest rate swaps to convert floating rate loans to fixed rate loans. Specific amounts that the Company hedges are determined based on the prevailing market conditions and the current shape of the yield curve. The specific terms and notional amounts of the swaps are determined based on management's assessment of future interest rates, as well as other factors, including short term strategic initiatives. In connection with the initial drawdown of approximately EUR 720 million from the Senior Secured Facilities, the Company entered into forward interest rate swaps, covering 93% of the loan's principal amount at the time of the drawdown. Currently the swaps cover approximately 80% of the Company's interest rate exposure. The interest rates are hedged by interest swaps and collar options. As of 31 December 2007, the nominal value of derivative instruments was PLN 72,000 thousand and EUR 1,260,291 thousand by forward exchange contracts, CZK 3,950,138 thousand and EUR 419,250 thousand by interest swaps and CZK 469,138 thousand and EUR 48,570 thousand by collar options.

The following analysis shows the effect of changes in market interest rates on the Company's profit after tax as if market interest rates had been 0.25% higher over the whole period from 1 January 2007 to 31 December 2007. The analysis reflects all loans, all interest rate swap contracts and all interest rate collar contracts. The effect on profit after tax would amount to EUR (234 thousand).

Subsequent events

Restructuring of OKD, OKK, a.s.

Effective 1 July 2007, the board of directors of OKD, a.s. approved a de-merger of shares of OKD in OKK and the transfer of such shares to NWR Coking, a.s., a direct subsidiary of the Company. Through this de-merger there was no change in control. Pursuant to a merger expected to be completed on 30 April 2008, effective from 1 January 2008 NWR Coking, a.s. is intended to be merged with OKK, with OKK being the succession company.

Distribution of Share Premium on the C Share

Subsequent to the Offer, the Company intends to make a distribution from the share premium reserve C to the holder of the C Share, RPGI, in an amount equal to EUR 75 million. It is intended that the C Share will be cancelled by the Company following such distribution.

Critical Accounting Policies

The preparation of the financial information included in this document requires the management of the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Company evaluates these estimates on an ongoing basis. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Property, Plant and Equipment

The Company's property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The Company's property, plant and equipment include expenditures that are directly attributable to the acquisition of the asset in determining the asset's cost. The cost of self constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overhead directly attributable to bringing the asset to working condition for its intended use. The cost also includes the estimated cost of dismantling and removing the items and restoring the site on or under which they are located, to the extent that such estimated cost is recognized as a provision under IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the income statement.

Mining Licenses

Under Czech law, deposits of certain minerals, including coal, are the property of the state. The Czech government grants licenses to persons to exploit deposits of such minerals and to retain the income derived from such mining, but the state retains the legal ownership of such mineral resources. The Company's coal reserve licenses are amongst its principal assets. When determining fair value of its coal reserve licenses as part of the purchase price allocation, the Company uses the present value of the estimated income stream from the deposit. Specifically, the Company employs the MEEM, including assumptions regarding a finite time limitation on the Company's coal mining operations. The estimate of total economically exploitable coal reserves is based on the mining plan for the Company's coal mining operations for the projected period of operation.

Depreciation and Amortization

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Land and construction-in-progress are not depreciated. The estimates used in calculating the estimated useful life of these items involve assumptions and uncertainties, some of which are beyond the Company's control; any changes in those estimates could have a material impact on net income. The Company reviews annually its depreciation methods, as well as the useful and residual values of its depreciable assets.

The Company amortizes its mining licenses over the reporting period by calculating the proportion of coal actually mined in this period to the total economically exploitable coal reserves as estimated by the Company. This estimate is based on engineering, economic and geological data assembled and analyzed by the Company and independent experts in mining, geology and reserve determination. Some of the factors and assumptions that impact the assessment of the estimated reserve life include geological and mining conditions; assumptions regarding future regulation and environmental liabilities; and assumptions concerning future costs of extraction, development, operation and reclamation.

Impairment and Reversal of Impairment

The Company conducts an annual review of the carrying amounts of its assets (excluding inventories and deferred tax assets which are not subject of impairment testing under IAS 36 Impairment of Assets) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (for intangible assets with an indefinite useful life, the recoverable amount is estimated at each balance sheet date). An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to cash generating unit and then to reduce the carrying amount of other assets on a pro rata basis.

An impairment loss in respect of receivables carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. Any impairment loss recognized in respect of goodwill is not reversed under any situation. For other assets, impairment losses are recognized following indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Restoration and Mining Damages Provisions

The Company's mining operations are subject to various laws and regulations governing environmental protection and reclamation. The Company's potential liabilities for environmental damage caused by mining activities generally falls into two categories: restoration costs and mining damages costs. Restoration costs and clean up of land used for mining activities are liabilities to restore land to the condition it was in prior to the commencement of mining activities, or the condition stated in the Company's exploration proposal for the deposit. The Company makes provisions based on the net present value of the estimated cost to comply with this obligation. Restoration costs represent a part of the acquisition cost of fixed assets and such assets are depreciated over the useful life of the mines. Any change in the estimate of restoration costs is recognized within fixed assets and is depreciated over the remaining useful life of the mines.

The effects of changes in estimates relating to decommissioning liabilities arising as a result of changes in the estimated cash flows that would be required to settle these liabilities or as a result of discount rate changes, are added to (or deducted from) the amount recognized in the related depreciable asset. Mining damages costs represent obligations to reimburse all immediate damages to third party assets caused by mining activities. Mining damages costs are assessed by the Company for each individual exploration project, and this assessment is reviewed and approved by the Czech Mining Authority.

Restricted balances of cash, which are shown under non-current financial assets as restricted funds, relate to mining damages and restoration expenses. The non-current classification is based on the expected timing of the release of the funds of the Company.

Employee Benefits

The Company provides a number of different benefits to its employees, including jubilee (anniversary), loyalty, retirement and special miners' benefits. The Company's obligation in respect of long term service benefits is the amount of future benefits that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value; the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on Czech government bonds that have maturity dates similar to the terms of the Company's obligations.

Derivative Financial Instruments

The Company uses derivative financial instruments (such as forward currency contracts, interest rates swaps and interest rates collar contracts) to hedge its exposure to foreign exchange risks. The Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair value is the amount determined based on the market price or an expert appraisal.

Hedge accounting has not been applied by the Company with respect to their derivative financial instruments. Consequently, any gains or losses arising from changes in fair value on derivatives are recognised in the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Changes in Accounting Policies

There were no changes in accounting policies, except for changes based on the changes and updates of IFRS, which would have a significant impact on the financial statements of the Carve-out Entities and the 2007 Consolidated Financial Statements. The changes and updates in IFRS that occurred in 2005, 2006 and 2007 are described in the notes to the financial statements included elsewhere on the Company website, section referring to the Annual Report and Accounts 2008.

DIVIDEND POLICY

General

As a holding company, the ability of the Company to pay dividends and make distributions depends primarily upon the receipt of dividends and distributions from the Company's subsidiaries. The payment of dividends and distributions by the Company's subsidiaries is contingent upon the sufficiency of their earnings, cash flows and distributable reserves and provisions of the credit facility and

outstanding notes that restrict the ability of the subsidiaries to make dividend payments and distributions to the Company.

The Articles of Association include provisions which state, subject to the limitations of applicable law, that holders of A Shares will be entitled to receive distributions from the dividend reserve A on their A Shares when declared by the Board and that separately the holders of B Shares will be entitled to receive distributions from the dividend reserve B (whether in cash or in specie) on their B Shares when declared by the Board upon the proposal of the meeting of the holders of the B Shares. A payment to the holder(s) of A Shares or B Shares at the expense of a dividend reserve to which such class of share is entitled can only be made to the extent that the aggregate balance of the entitlement of all Shares of that specific class held by such holder to the share premium reserves and dividend reserves is positive. Dividends or distributions paid to the holders of the B Shares will reduce the funds of the Company legally available for payment of future dividends to the holders of the A Shares.

In connection with the establishment of the A Shares and the B Shares the Company has allocated its existing statutory shareholders equity. The table below sets out the allocated unconsolidated statutory shareholder equity as at 31 December 2007 and includes the allocation for the A Shares as adjusted for the Offer and for the C Share (which will be created on the Conversion Date) as if both allocations have taken place on 31 December 2007. The unconsolidated statutory shareholder's equity is higher than the consolidated shareholder's equity as presented in the 2007 Consolidated Financial Statements included elsewhere in this Prospectus. This difference is primarily due to valuation of the Company's investments at fair values in the unconsolidated statutory balance sheet upon contribution in kind in 2006.

	Unconsolidated Statutory Shareholder's equity of the Company (EUR) as at 31 December 2007			
	A Shares	**A Shares (as Adjusted for the Dividend and the Offer(1))**	**B Shares(2)(3)**	**C Share(3)**
Share Capital	100,096,000	105,496,000	4,000	0
Share Premium	244,839,038	441,939,038	90,000,000	75,000,000
Restricted Reserves	122,144,754	122,144,794	0	0
Retained Earnings	58,488,969	58,488,969	4,411,614	0
Total Shareholders Equity	525,568,761	728,068,761	94,415,614	75,000,000

(1) Reflects (i) the payment of a dividend of EUR 87 million on the A Shares on 27 March 2008, (ii) EUR 202,500,000, which is the gross proceeds of the Offer based upon an Offer Price at the mid-point of the Price Range converted into EUR from UK Sterling at an exchange rate of EUR 1.25/£1 and less EUR 47,293,449 of estimated expenses and (iii) after giving effect to and the application of the proceeds from the Offer, including the payment of a one-time dividend of EUR 75 million on the C Share.

(2) The Issuer intends to distribute certain real estate assets as dividend in kind to RPGI as sole holder of the B Shares. The net asset value of these assets under IFRS is expected to be approximately EUR 68 million based on accounting values as at 31 December 2007. This dividend is expected to be paid in the third quarter of 2008. Consequently, share premium and

shareholders equity allocated to the B Shares and total capitalisation of the Company are expected to be reduced by this amount.

(3) Does not reflect the Offer and use of proceeds.

Under Dutch law, both share premium and retained earnings are freely distributable reserves, and are available to make distributions or dividends to shareholders, as the case may be.

The Issuer intends to make distributions out of the dividend reserve A on the A Shares of approximately 50% of the Mining Division's consolidated annual net income (as calculated under IFRS and subject to adjustments for extraordinary items) over the course of the Business cycle. The payment of any dividend is subject to shareholders' equity exceeding the sum of the Company's issued share capital and the reserves to be maintained under Dutch law. In addition, a payment to the holders of A Shares or B Shares at the expense of a free distributable reserve to which such shares are entitled can only be made to the extent that the aggregate balance of the entitlement of all shares of that class held by such holder to those reserves is positive. To the extent the Company declares and pays dividends or makes distributions on the A Shares, holders of the A Shares on the relevant record date will be entitled to receive dividends or distributions payable in respect of such A Shares. As set out in the Articles of Association, holders of the A Shares have no rights or entitlements (including those to dividends and distributions) in respect of the Real Estate Division and the B Shares.

As also set out in the Articles of Association, the Real Estate Division's financial performance and any dividends or other distributions in respect of or attributable to the performance or Assets of the Real Estate Division will be attributed solely to the holders of the B Shares. It is intended that dividends or distributions will be paid or made to the holders of the B Shares either in cash or by way of a dividend in specie of some or all of the Assets of the Real Estate Division (including special purpose companies formed as part of a reorganisation or spin off containing Assets of the Real Estate Division, subject to leases or other rights granted to the Mining Division) to the holder of B Shares. It is intended that, except where restrictions apply to the Company's ability to distribute its profits or distributable reserves (as to which, see below) all of the Real Estate Division's consolidated annual net income, as calculated under IFRS, will be available for payment as dividends and distributions to the holders of the B Shares (disregarding that part of the Real Estate Division's profits attributable to the transfer of the capital value of the assets within the Real Estate Division, such profits to be accumulated and retained until there are available for dividend or distribution in specie assets or shares in companies forming part of the Real Estate Division, in which case such profits and all other accumulated profits may then be applied towards such dividend or distribution) until no assets remain in the Real Estate Division. The Issuer expects to pay a dividend in specie consisting of shares of certain real estate subsidiaries (including, without limitation, the IMGE business unit of OKD, Rekultivace and Garáže) to the holder of the B Shares having an aggregate accounting value of EUR 68 million and expects this dividend to be paid in the third quarter of 2008. The holders of the A Shares will not be entitled to any portion of this dividend.

In addition, provided that the shareholders' equity exceeds the sum of the Company's issued share capital and the reserves to be maintained under Dutch law and the aggregate balance of the entitlements of all A Shares or B Shares to the respective dividend reserve A or dividend reserve B is positive, the Board may resolve to make interim distributions on the A Shares and the B Shares at the expense of the dividend reserve allocated to such class of shares. The resolution to make an interim distribution from the dividend reserve B may only be adopted upon the proposal of the meeting of the holders of the B Shares.

Dividends or distributions in cash are expected to be declared by the Company in euros.

When restrictions apply to the Company's ability to distribute its profits or distributable reserves, the Board will apportion the available capacity between the A Shares and B Shares based on the ratio of accumulated but undistributed profits of the Company attributable to each respective Division. The Issuer's dividend policy is primarily dependent upon, and will be adjusted from time to time to reflect, its results of operations and cash flows, its financial position and capital requirements, general business conditions, any legal, tax, regulatory or contractual restrictions on the payment of dividends or distributions and any other factors the Board deems relevant. The Indenture contains restrictive covenants, including restrictions applicable to the payment of dividends. The reserve and dividend policy shall be discussed during each annual general meeting of shareholders of the Company.

Recent Dividends

Since its incorporation on 29 December, 2005, the Company paid a distribution out of cash available from its operations in the amount of EUR 303 million in October 2006. The Issuer further paid distributions in the amounts of EUR 800 million in January 2007, EUR 276 million in October 2007 and EUR 87 million on 27 March 2008 to its sole shareholder, RPGI. In the event the Company decides to proceed with the Offer, the Company also intends to distribute the entire EUR 75 million balance of the share premium reserve allocated to the C Share to RPGI as the holder of the C Share in cash shortly prior to Admission.

Because the Company was a wholly-owned subsidiary of RPGI prior to the Offer, historic dividends are not indicative of future dividend payments.